AGENDA
Committee of the Whole
Board Room
33 S. Arlington Heights Rd
April 14, 2025
7:00 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. Proposed 2024 General Fund Surplus Transfer

V. OTHER BUSINESS

VI. PUBLIC COMMENT

Anyone wishing to speak on a subject not on the Agenda may speak at this time. Please limit your comments to three minutes.

VII. ADJOURNMENT

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact the Health & Human Services Department, at 33 S. Arlington Heights Road, Arlington Heights, IL 60005, healthmail@vah.com or 847/368-5760.

[MEET_FOOT]

VILLAGE OF ARLINGTON HEIGHTS
INC. 1887

Committee of the Whole
4/14/2025

Item: Proposed 2024 General Fund Surplus Transfer
Department:

Item Description:

Background

The Village has historically used conservative budget assumptions when budgeting the Village's key operating fund, the General Fund. During the upside of economic cycles, this has allowed the Village to sustain the financial position of our various capital funds through the transfer of surpluses in the General Fund to these funds. Conversely, during the downside of an economic cycle, General Fund reserves have allowed the Village to weather uncertain times.

Year	General Fund Surplus Transfer	Transfer To: Fund(s)
2017	$2,000,000	$2M to the Health Insurance Fund
2018	$3,475,000	$475K to Parking, $1.5M to each Police and Fire Pension Funds
2019	$3,000,000	$500K to Capital Projects, $1.25M to each Police and Fire Pension Funds
2020	None ($291K Deficit)	
2021	$7,570,000	$1.2M to Fleet, $370K to Parking, $2M to Capital Projects, $4M to Lead Line Service Replacement
2022	$12,400,000	$2M to Fleet, $1.2M Water & Sewer, $100K to Capital Projects, $500K to Parking, $2M each to Police and Fire Pension Funds, $3M to Lead Service Line Replacement, $1.6M property tax abatement
2023	$5,750,000	$5.75M to Lead Service Line Replacement

During 2024, the Village has started to see a more normal financial pattern develop, where our revenue streams and expenditures are increasing at more moderate levels. This follows the prior post-pandemic period that featured pent-up demand for goods and services. For the years 2021 to 2023, the Village experienced sizable General Fund surpluses which allowed us to transfer funds to the Parking and Vehicle Replacement Funds, which were adversely affected by the pandemic and supply-chain issues. Transfers were also made to the Capital Projects Fund, the Lead Service Line Replacement Fund, and the Police and Fire Pension Funds. All of these transfers have put the Village in a better financial position overall. Last year, the priority for the 2023 budget surplus was funding Lead Service Line Replacement Fund (the Village continues to be in full compliance with all regulations due to our treatment program that effectively coats the inside of all water lines, both private and public). As there is no dedicated source for this fund, additional transfers-in are scheduled in 2029 and 2034.

The General Fund is the all-purpose governmental fund, which handles the operations of the Village not accounted for in a separate fund. Most of the expenditures for Village services are budgeted and accounted for in this fund, except for water and sewer expenses. There are three key revenue sources, which account for 70% of the total General Fund revenues: Property Tax (29%), Sales Tax (including Home Rule) (27%) and Income Tax (14%).

The Village's minimum fund balance policy is to maintain a year-end balance of at least 25% of General Fund expenditures, up to a maximum of 40% of unrestricted and unassigned reserves. Being above the minimum is even more important for the Village due to our reliance of economically sensitive revenues such as sales and income tax receipts. The level of the Village's reserves factors into our excellent credit rating from Moody's of Aa1. In our latest credit rating review, Moody's once again highlighted the Village's reserve level as a key factor in determining our financial outlook and rating.

As shown in **Exhibit A**, in 2024 the Village budgeted for a $754,697 surplus based on modest increases in our revenue base. The Village experienced a $4.7 million surplus for 2024, which is $4.0 million above what was budgeted for 2024. We are proposing a transfer of $3.0 million surplus to various funds. During 2024, sales taxes came in under budget by $186,097 and income tax receipts came in over budget by $837,967. On the expenditure side, 2024 total General Fund expenditures came in $2.3 million or (2.6%) under budget. This is a fairly normal result for expenditures, as the Village conservatively budgets for full employment with no vacancies.

At the end of 2024, the unassigned General Fund balance equaled 43.4% of expenditures. The projected 2024 General Fund surplus allows the Village an opportunity to transfer 2024 surplus funds over the 40% maximum General Fund reserve level to other fund(s), as defined in the 2025 Budget under Reserve Performance Goals. **It is proposed that the Village consider making the following 2024 transfer totaling $3.0 million from the General Fund:**

1. **$500,000 General Fund Transfer to the Municipal Parking Fund**

   This transfer will help maintain the Parking Fund's financial position by adding to reserves for future maintenance and capital investments.

2. **$800,000 General Fund Transfer to the Fleet Fund**

   Vehicle replacement costs have increased over the last several years upwards of 15%. This transfer would cover the additional costs of planned vehicle purchases over the next few years.

3. **$500,000 General Fund Transfer to the Capital Projects Fund**

   The Capital Projects Fund accounts for a variety of capital improvements including street resurfacing/rehabilitation, sidewalk repair/replacement, operational equipment replacement, traffic signal improvements and other projects. Financing is primarily from property taxes, a ¼% home-rule sales tax, an annual transfer-in of $300,000 from SWANCC, and grant revenues. Transferring additional funds into the Capital Projects Fund will support planning for future projects and improvements, as the fund's revenues include on economically sensitive revenues and grants which could have the potential to decrease. In addition, planning for additional inflationary impacts and uncertainty would be prudent.

4. **$600,000 General Fund Transfer to the Firefighters' Pension Fund**
   $600,000 General Fund Transfer to the Police Pension Fund

The Village continues to meet all of its pension obligations. Year-end results for the Police and Fire Pension Funds reflect gains for 2024 (Fire at 10.29% return on net assets and Police at 12.59% return on net assets). Both funds increased their funded status by approximately 4% year-over-year to 76.9% for Fire and 87.1% for Police. Gains and losses for these funds are smoothed over three years as part of the actuary's calculation of the Village's annual required contribution. Transferring $600,000 to each the Fire and Police Pension Funds is a prudent planning strategy that will help the Village save money in future years by reducing its unfunded accrued liability. This proactive approach also helps minimize the need for future increases in property tax levies.

Recommendation: Discussion of these proposals at the April 14th Committee of the Whole Meeting.

If the Board is supportive, Staff would add the transfer recommendations to the 2024 year-end adjustment through a 2024 budget amendment included on the April 21st Village Board Meeting agenda. By accounting for the proposed transfers in 2024, the Village reflects these transfers in the Village's 2024 annual audit and would reflect the fund balance policy of 40% or below for the General Fund for 2024.

ATTACHMENTS:

1. Proposed 2024 General Fund Analysis

GENERAL FUND

EXHIBIT A

(Pre-Audit 4-1-25)

	2024 Budget	2024 Actual - Before Transfers-Out	**2024 Actual - After Transfers-Out**	Diff.	% Incr (Decr)	2025 Budget
Revenues						
Property Taxes	17,797,000	17,395,668	17,395,668	(401,332)	-2.3%	26,680,500
Food & Beverage Tax	2,511,000	2,576,553	2,576,553	65,553	2.6%	2,657,000
HMR Sales Tax	7,596,000	7,483,183	7,483,183	(112,817)	-1.5%	7,746,000
Telecommunications Tax	1,620,000	1,675,344	1,675,344	55,344	3.4%	1,706,000
Elec and Nat Gas Utility Taxes	4,900,000	4,401,749	4,401,749	(498,251)	-10.2%	4,900,000
Sales Tax	16,436,000	16,362,720	16,362,720	(73,280)	-0.4%	16,136,000
Use Tax	3,300,000	2,737,220	2,737,220	(562,781)	-17.1%	2,915,900
Income Tax	12,353,000	13,190,967	13,190,967	837,967	6.8%	13,506,000
Replacement Tax	1,100,000	823,640	823,640	(276,360)	-25.1%	900,000
Other Taxes	9,243,000	9,392,030	9,392,030	149,030	1.6%	1,230,000
Licenses & Permits	2,679,400	3,030,194	3,030,194	350,794	13.1%	2,806,900
Intergovernmental	628,000	1,402,479	1,402,479	774,479	123.3%	621,000
Charges for Services	1,275,900	1,351,806	1,351,806	75,906	5.9%	1,283,900
Fines and Fees	6,891,600	6,871,024	6,871,024	(20,576)	-0.3%	7,428,100
Interest and Investment Income	385,000	1,528,114	1,528,114	1,143,114	296.9%	1,550,000
Rents/Reimburseables	209,000	197,006	197,006	(11,994)	-5.7%	213,500
Miscellaneous	409,800	581,397	581,397	171,597	41.9%	420,500
Interfund Transf-In	200,000	200,000	200,000	0	0.0%	200,000
Total Revenue	89,534,700	91,201,094	91,201,094	1,666,394	1.9%	92,901,300
Expenditures						
Personal Services	70,768,300	70,178,464	70,178,464	(589,836)	-0.8%	75,515,200
Contractual Services	13,781,947	13,324,206	13,324,206	(457,741)	-3.3%	13,905,676
Commodities	2,945,601	2,434,595	2,434,595	(511,005)	-17.3%	3,093,976
Other Charges	1,284,155	567,431	567,431	(716,724)	-55.8%	900,804
Total Expenditures	88,780,003	86,504,696	86,504,696	(2,275,306)	-2.6%	93,415,655
Transfer to Other Funds	0	0	**3,000,000**			0
Total Expends/Transfers- Out	88,780,003	86,504,696	89,504,696			93,415,655
Surplus (Deficit)	754,697	**4,696,398**	**1,696,398**			(514,355)
(Unassigned) Beginning Fund Balance	32,849,661	32,849,661	32,849,661			34,546,059
Ending Fund Balance	33,604,358	37,546,059	34,546,059			34,031,704
Fund Bal % of Expends	37.85%	43.40%	39.94%			36.43%